

From bad to worse

By Meghan Sapp

Kenya's sugar industry has gone into a complete meltdown and there's no sign of how or when it will recover.

This time last year, Kenya's privatisation committee was doing everything in its power to show the African sugar industry that it was really and truly ready to privatise the country's five publicly owned sugar mills. They just needed a couple of more weeks.

As the region's sugar industry prepares to descend upon Nairobi for the [8th African Sugar conference next week](#), it's clear that not only is [privatisation even further away from reality than it was a year ago](#), but in the meantime the [local industry has deteriorated beyond recognition](#).

Farmers and local leaders are vocally opposing the privatisation of [South Nyanza Sugar Corp](#) (SONY), [Nzoia Sugar](#), and privatisation of [Kisumu-area mills](#) in general. Controversy abounds with accusations that mills will be [sold off to the lowest bidder but with the strongest political connections](#) or to [international investors whose only driver is profit](#), leaving local farmers high and dry despite government promises that they would be shareholders in the mills post-privatisation.

In either scenario, profit is key, but at the moment Kenya's industry is only racking up debts with no signs of profits in the near future. High sugar prices last year resulting from an ever-growing national

production deficit saw the government open the market to imports, but those [imports ran out of control and soared 196% in 2017](#) compared to the year prior. Between legal imports and [smuggled sugar](#), including from [Somalia](#), prices crumbled. A knee-jerk reaction in the other direction to stabilise the situation stopped the flow of imports and saw [January imports fall by 72%](#) on the year.

The increasing domestic production deficit is partly as a result of climate-induced cane shortages that have led mills to poaching cane from each other, leaving some mills unable to crush, such as the one-time jewel in the industry's crown, Mumias. [The industry is trying to come together to develop a way past cane poaching](#), but until there's enough cane to go around, there isn't going to be a solution.

Mumias went from a case of a few mistakes in management to mismanagement to complete disarray. The company has had to [stop crushing due to lack of cane availability](#), has [a giant US\\$198.3 million hole](#) it needs to fill and this week [farmers stormed the mill](#) in protest of past dues that need paying.

The old adage that things must get worse in order to get better seemed to be the theme last year, but now that's it gotten so much worse, the question is at what point it will start to get better? Diving into a mill investment now seems to be about the least strategic move an investor can make.